

Prime Focus London plc

STATUTORY ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2011

Company Number: 1694613

**Prime Focus London plc
Annual report 2011**

Contents

	Page No
Directors, Advisers and Registered office	3
Corporate Profile	4
Chairman's Statement	5
Managing Director's Review	7
Directors' Report	13
Directors' Responsibilities Statement	16
Statement of Corporate Governance	17
Report of the Remuneration Committee	19
Independent Auditors' Report	20
Consolidated Statement of Comprehensive Income	22
Consolidated Statement of Financial Position	23
Consolidated Statement of Cash Flows	24
Consolidated Statement of Changes in Equity	25
Notes to the Group Accounts	26
Independent Auditors' Report for Company	52
Company Balance Sheet	54
Notes to the Company Accounts	55

Prime Focus London plc

Annual report 2011

Directors, Advisers and Registered office

Directors

Namit Malhotra (Chairman and Managing Director)
Christopher Mills (Non-Executive Director)
Naresh Malhotra (Non-Executive Director)
Riv Karan Singh Chadha (Non-Executive Director)
Marie Louise Windeler (Non-Executive Director)

Secretary

Derringtons Limited
Erico House
93 – 99 Upper Richmond Road
London SW15 2TG

Registered office

64 Dean Street
London W1D 4QQ

Company Registration Number

01694613

Nominated Adviser

Grant Thornton UK LLP
30 Finsbury Square
London EC2P2YU

Auditors

Shipleys LLP
Chartered Accountants
10 Orange Street
Haymarket
London
WC2H 7DQ

Bankers

National Westminster Bank plc
19 Shaftesbury Avenue
London W1A 4QQ

Solicitors

Farrer & Co. LLP
66 Lincoln's Inn Fields
London WC2A 4LH

Registrar and transfer office

Capita Registrars Limited
Northern House
Woodsome Park
Fenay Bridge
Huddersfield
HD8 0GA

Prime Focus London plc

Annual report 2011

Corporate Profile

Who are we?

Prime Focus is a global Visual Entertainment Services group. We provide creative and technical services to the Film, Broadcast, Commercials, Internet and Media industries. Visual Entertainment Services is a new definition for an industry where technology, visual delivery platforms and content are converging and evolving.

What do we do?

We offer a genuine end-to-end solution from pre-production to final delivery including visual effects, creative 3D conversion, video and audio post-production, production services, Digital Intermediate, digital asset management, versioning and adaptation, equipment hire and distribution.

What makes us different?

Our pioneering business model 'Worldsourcing' enables our talent to share their expertise across projects, locations, disciplines and sectors. It means we can operate across the entire Visual Entertainment sector; in every major market and at every stage of a project's development. Worldsourcing has no borders, timezones or limits on capacity and is able to adapt to the constantly changing needs and ambitions of content creators.

What are the benefits?

Prime Focus London PLC is part of Prime Focus, a worldwide network of companies that combines global cost advantages, resources and talent pool with strong relationships and a deep understanding of the local markets we operate in. A tailored approach to each project ensures the delivery of a superior level of service aligned with a highly competitive pricing structure.

How does it work?

By delivering imaginative, proactive and timely solutions – that help our clients creatively, technically and financially.

By spreading projects across integrated facilities over three continents and five timezones using the Prime Focus "Global Digital Pipeline™".

By tapping our global talent base of post production professionals.

By harnessing the advantage of differing cost bases to offer highly attractive pricing and client value.

By supporting these advantages with powerful and proven Prime Focus creative technologies:

CLEAR - the world's first 'hybrid cloud', multi-platform content operations infrastructure, supported by global digital media processing and delivery services.

View-D™ - a world-leading 3D conversion process which has been used on more top-tier Hollywood movies than any other.

Prime Focus London plc

Annual report 2011

Chairman's Statement

Against the continuing backdrop of a challenging consumer and economic environment, Prime Focus London Plc is reporting a good trading performance.

Financial Results

Sales have increased in key business streams by 43% overall to £30.6m. Profit before taxation has increased to £3.9m (Last Year £547k loss) and has benefited from the profit on sale of investments of £0.9m and other income of £0.2m, Operating Profit before exceptional items increased to £4.04 m from £1.62m last year.

Additional gross margin earned from increased sales has been invested in the development of the emerging VFX business, where the costs of future development have been written off as incurred. This investment has driven a more than threefold increase in Revenue to £8.7m, and although loss making as a result of the non recurring start up costs, this growth provides us with optimism about the Prime Focus brand in the UK market. The core Content Services, Post Production and Animation business performed in line with expectations and showed 15% growth in sales to £21.8m.

Review of Operations

As the balance of Revenue streams continues to shift towards activities driven by new technological innovation in Film and Broadcast, it is expected that there will be a requirement to reconfigure the cost base of the business in the UK to match available resource to expected increased levels of activity in certain of our business streams.

Employees

Prime Focus is a business with an international outlook whilst at the same time having a detailed understanding of the local markets in which it operates.

The business has a committed, capable, experienced and knowledgeable management, but to make this business function efficiently and effectively across national and cultural boundaries requires a coordinated and sustained team effort in which all of our employees have played their part. On behalf of all the stakeholders in Prime Focus, I would like to thank them for all their efforts of which they can be justifiably proud.

Outlook

Our focus on continuing to develop new business streams and exploiting the benefits of technological advances allied to the low cost operating base available through our sister company in India has allowed us to increase turnover and grow market share in a highly competitive and rapidly developing marketplace.

We continue to make great strides in developing the business for the future – delivering the highest quality post production, VFX, and 3D solutions to the Global Visual Entertainment space using our cost effective WorldSourcing™ model.

We have invested further in our unique production capabilities, increased efficiency across the group, gained valuable insights from our early entry into the 3D Film business and taken further steps to reinforce our position as a truly global force by exploiting the cost advantages provided by outsourcing commodity services to India.

As we entered 2011 we expected that our customers would remain under pressure and planned our business accordingly, by tight cost control, by shifting fixed costs to variable, and by investing carefully in areas of the business where we foresee opportunities for growth.

Prime Focus London plc Annual report 2011

The comments I made last year remain true in that the Hollywood blockbusters continue to enhance the viewing experience through the extensive use of high quality visual effects. In addition, 2D to 3D conversion continues to gain momentum. During the year Prime Focus provided its VFX and 3D services for films such as Harry Potter 7, Chronicles of Narnia and Shrek. However following a strategic review of the operations of this division being highly dependent on other Group Companies for both revenue and execution, the board has decided to terminate the losses incurred and continuing to be incurred in growing this new business division. As a result, the Company expects to announce shortly the sale of that part of its activities. The Review of Operations will accelerate the further transformation of our cost base to ensure cost efficiency whilst focusing capital expenditure strategically.

In taking these actions quickly and effectively we believe we will ensure maximization of our sales, operating profit and cash positions to drive towards achieving our expectations this year, and although there are positive market indicators emerging (as referred to in the Managing Director's review) we remain cautious in light of the continuing uncertainty in the wider economic environment.

Our performance to date, our growing customer base, increased levels of customer activity and their increased levels of engagement with Prime Focus and our ongoing focus on tight cost control throughout the business, coupled to selective investment in those areas that indicate growth potential, give the Board confidence that we will deliver our expectations for the year.

The year to end March 2011 benefitted from a number of exceptionally profitable contracts which may or may not be repeated in the current year. Discussions continue with the parent company to evaluate how to align the Group's interests.

Namit Malhotra

Chairman

28 September 2011

Prime Focus London plc

Annual report 2011

Managing Director's Review

The Operating Environment

The global entertainment and media (E&M) industry entered a positive growth phase in 2010. The Global Entertainment and Media Outlook: 2010-14 report by Price Waterhouse Coopers (PWC) estimates that global E&M spending grew by 4.6% in the year 2010 and over the next five years, the E&M spending is estimated to rise to USD 1.9 trillion in 2015, growing at a Compounded Annual Growth Rate (CAGR) of 5.7%.

For the year under review, the benefits predicted by PWC had yet to materialise and trading for the company remained challenging. New revenues had been developed whilst our core post production businesses had to fight to maintain market share in their respective sectors.

It is within this context that I am pleased to report a healthy growth in revenue from both key business streams. The post production business (incorporating content services and animation) grew from £19m to £21.9m, making progress in all areas of activity.

Review of the year

Despite difficult trading conditions being experienced by many of the company's customers, the company has continued to deliver organic growth. The global visual entertainment space is constantly evolving - a challenging and dynamic marketplace - and Prime Focus is emerging from the economic gloom at the centre of the industry, providing creative and technical services to the film, broadcast, commercials and media industries.

Revenue

The reported growth in revenue from £21.5m to £30.6m was due a growth in VFX from £2.47m to £8.74m, as well as organic growth across all trading activities.

Operating profit

Operating profit before exceptional items increased to £4.04m compared to a profit of £1.6m in the previous year.

Finance costs

Net finance costs have reduced to £0.13m from last year at £0.32m thanks to increased levels of interest receivable on loans to fellow subsidiaries. Within this, finance costs remain the same at £0.59m.

An analysis of revenue and profit or loss by operating segment is set out below.

Year ended 31 March 2011	Content services, post production & animation	VFX	Total
	£'000	£'000	£'000
Revenue	21,867	8,741	30,608
Inter-segment transactions	-	-	-
Depreciation and impairment of property, plant & equipment	(914)	(197)	(1,111)
Other income and expenses	(13,375)	(12,212)	(25,587)
Profit / (loss) before tax	7,578	(3,668)	3,910

Prime Focus London plc Annual report 2011

Restated - Year ended 31 March 2010	Content services, post production & animation	VFX	Total
	£'000	£'000	£'000
Revenue	19,046	2,466	21,512
Depreciation	(75)	75	-
Amortisation	(1,043)	(197)	(1,240)
Other income and expenses	(17,189)	(3,630)	(20,819)
Loss before tax	739	(1,286)	(547)

Content Services, post-production and animation

This segment currently represents the largest piece of the Group's business and comprises data and content management facilities as well as top-end post-production and visual effects services for the broadcast & commercial sectors.

These activities are aggregated together into one reportable segment on the basis that the economic characteristics are similar.

Content Services

The UK Content Services division provides picture and audio restoration, duplication, mastering and encoding services to a variety of broadcasters, archives and content owners such as BBC, Sony, BFI, IMG and Adidas.

It also includes CLEAR™, our proprietary web-based media asset management service. CLEAR™ manages the entire lifecycle of content from production to distribution, and offers a secure, fast and reliable digital delivery platform. This also enables the Prime Focus 'global digital pipeline' by seamlessly interconnecting the 16 Prime Focus offices around the world.

Post-production

This segment includes broadcast television programming such as documentaries, dramas and factual series, channel idents and on-air promos as well as high-end visual effects ("VFX"), colour grading and full post production services to the international commercials, music video and feature film industries.

Whilst the year has been challenging owing to the continued impact of the global recession, there have been a number of highlights:

Commercials

The Prime Focus UK Commercials division continued to assert its position with an impressive presence throughout the advertising community, attracting top-tier production companies, international flagship brands and some of the world's biggest creative agencies through its doors.

Highlights from the last twelve months include high-profile work on notable brands such as Nokia, Vodafone, Virgin Media, O2, Toyota, Budweiser, T Mobile, Volkswagen, GHD and Stella Artois, working with agencies such as Ogilvy & Mather, Wieden + Kennedy, JWT, DDB, Mother, Grey, VCCP, Saatchi & Saatchi and RKCR / Y&R.

Prime Focus has also seen success from a variety of viral and digital campaigns for clients such as Saatchi & Saatchi, Sony Ericsson, Volkswagen and Range Rover; and helped advertising take a move towards the third dimension, creatively converting Frank Miller's 'Gucci' commercial and Puma's 'Animagical' spot into stereoscopic 3D.

Prime Focus London plc Annual report 2011

Broadcast

It is a testament to the talent inside Prime Focus' Broadcast division that it was responsible for providing full picture and sound post production on some of the most gripping, provocative and inspirational television programmes, series and specials that went to air during the last year, for broadcasters such as BBC, ITV, Channel 4, Sky, Discovery (UK & US) and History Channel (UK & US).

The Primetime Emmy Award winning series 'America The Story of Us' saw the history of a fledgling frontier nation laid out in rich, engaging detail for all to absorb, whilst the RTS award winning 'Heston's Feasts' pushed the boundaries of culinary science.

Family favourites 'Great British Menu' and 'An Island Parish' both returned for their fifth series, 'Famous, Rich, and Slumming It' explored celebrities and social deprivation whilst other highlights included 'The House that Made Me', 'Mary Portas – Secret Shopper', the controversial 'The Taking of Prince Harry' and the acclaimed 'Stephen Hawking's Universe',

The Broadcast VFX division provided visuals for award-winning documentaries such as 'Wonders of the Solar System', 'How the Earth Made Us' and 'Stone Age Atlantis'.

Film Post Production, VFX & View-D™

Prime Focus stepped into the limelight this year and announced itself as a serious global player in the feature film market. Ridley Scott's epic historical fantasy 'Robin Hood' was bolstered by the inclusion of hundreds of specialist VFX shots and British gangster film 'Bonded by Blood' was posted in its entirety at our UK facilities.

In response to the huge demand for 3D content, Prime Focus' proprietary View-D™ process was used to deliver 'The Chronicles of Narnia: Voyage of the Dawn Treader', for which Prime Focus was sole vendor, fully converting from 2D to 3D over 1,500 shots from Prime Focus' offices in LA, London and India. The process was also used to deliver shots on Resident Evil Afterlife, Shrek and Cats and Dogs 2 whilst work also began on 'Star Wars: Episode I – The Phantom Menace' arguably the biggest film franchise in the world. However following a strategic review of the operations of this division being highly dependent on other Group Companies for both revenue and execution, the board has decided to terminate the losses incurred and continuing to be incurred in growing this new business division. As a result, the Company expects to announce shortly the sale of that part of its activities

Key hires

The Group has continued to hire high quality executives.

Commercial Director Daniel Sapiano and Executive Producer Romilly Endacott were appointed as Joint Managing Directors for the UK Commercials division; together they are responsible for the management of the division.

Matthew Bristowe was appointed Head of Production of the London View-D™ division, joining from Technicolor Creative Services where he gained a reputation as one of London's most celebrated senior DI producers.

The Prime Focus Commercials division in London announced the appointment of Executive Producer Belinda Grew, who joined from Smoke and Mirrors with 20 years of industry experience, and also of Kristy Mae Currie (Exec Producer) and Dave 'Skippy' Clifton (Senior Flame Artist), both renowned industry individuals.

Experienced Executive producer Piers Hampton joined the Broadcast VFX team whilst Data specialist David J. Phillips joined as Head of Digital Services in the UK. David was brought in to track, enhance and update tapeless workflows while developing new revenue opportunities across all media platforms.

Prime Focus London plc
Annual report 2011

Additionally, BAFTA Award winning producer Rod Brown has joined to set up Prime Focus Productions, providing broadcasters and directors with concept-to-delivery expertise for TV drama productions. This will enable the company to generate new revenue direct from the Productions Division and also to provide dedicated post production facilities, delivering an integrated solution for drama production and securing production and post production revenue.

Prime Focus London plc

Annual report 2011

FINANCIAL POSITION

Net debt

Net debt decreased to £6.97m.

CASHFLOW

Our cash balance has increased to £1.3m from £1.2m in the prior year.

KEY PERFORMANCE INDICATORS

Key performance indicators (KPIs) used by the Board to monitor progress are listed in the table below.

KPI	2011	2010	Definition and method of calculation
Revenue	£30,608k	£21,512k	Revenue per the consolidated statement of comprehensive income.
Profit / (loss)	£3,910k	(£547k)	Profit / (loss) before tax per the consolidated statement of comprehensive income.
Earnings per share	11.65p	(2.85p)	Basic earnings per share per the consolidated statement of comprehensive income.
Net Cash & Cash Equivalents	£1,300k	£1,224k	Net cash position of the Group as per the consolidated statement of cash flows.
Net debt	£6,977k	£7,117k	Cash and cash equivalents less bank loans and overdrafts, hire purchase obligations and net parent and associate company loans. All taken from the consolidated statement of financial position.

PRINCIPAL RISKS AND UNCERTAINTIES

The management of the business and the execution of the Company's strategy are subject to a number of risks. Risks are formally reviewed by the Board and appropriate processes put in place to monitor and mitigate them.

The following section comprises a summary of the main risks the Board believes could potentially impact the Company's operating and financial performance.

Operational

The Company's performance depends largely on the retention of key creative staff and the ability of the management team to attract new talent to enhance this existing team. The Group continues to successfully retain its key staff by ensuring that it gives them the necessary tools and working atmosphere such that they can maximize their creative energies and output.

Financial

The company operates in an industry that demands continual investment in hardware and software to ensure competitive edge through technical delivery and creative output. This places a large emphasis on capital expenditure and the Company continues to invest in front-end creative systems and infrastructure through finance leasing. The current economic climate presents a greater challenge to securing this type of financing but the management continues to explore all opportunities to maintain this investment strategy.

Market and Environment

Business environment risks considered by the Group include a downturn in film production activity in the UK, potential delay in revenue generation from the Group's media asset management business, the timing of television production and the cut in advertising spend by blue chip clients.

Prime Focus London plc
Annual report 2011

Technology

The Group is reliant on a number of technology systems to provide services to clients. Due to the rapid advancement of technology, there is a risk that systems could become outdated with the potential to affect efficiency and have an impact on revenue and client service. This risk is mitigated by regular reviews of the Group's technology strategy and ongoing development of in-house technology and software.

The Company's policy in relation to the use of financial instruments and its exposure to price risk, liquidity risk and cash flow risk is given in Note 4 to the financial statements.

Namit Malhotra

Group Managing Director
28 September 2011

Prime Focus London plc

Annual report 2011

Directors' report

The directors present their report and the financial statements for the Group and Company for the year ended 31 March 2011.

Results and dividends

The Group profit before tax for the year amounted is presented in the consolidated statement of comprehensive income. The directors do not recommend the payment of a dividend (2010: £nil).

Principal activities and review of the business

The principal activity of the Group continues to be that of the provision of technology based creative services for the media and entertainment industry.

A full operational review of the business is dealt with in the Chairman's Statement and Managing Director's review.

Directors

The following directors have held office since 31 March 2010:

Namit Malhotra
Neil Barnett (appointed 22/06/10, resigned 20/01/11)
Riv Karan Singh Chadha
Anshul Doshi (resigned 25/01/11)
Naresh Malhotra
Christopher Mills
Marie-Louise Windeler

Directors' interests and other substantial shareholdings

The interests in the shares of the Company of the directors who served during the year were:

	At 31 March 2011		At 31 March 2010	
	Ordinary shares	Options	Ordinary shares	Option
Namit Malhotra	-	-	-	-
Anshul Doshi	-	-	-	-
Christopher Mills	-	-	-	-
Naresh Malhotra	-	-	-	-
Riv Karan Chadha	-	-	-	-
Marie Louise Windeler	-	-	-	-
Neil Barnett **	-	-	-	16,000

**Neil Barnett options have subsequently been cancelled as a result of his resignation from the Company.

Directors' interests in the shares of the parent undertaking, Prime Focus Limited are disclosed in the accounts of the Parent Company.

Namit Malhotra and Christopher Mills were re-appointed to the Board at the Annual General Meeting on 30 March 2011.

Prime Focus London plc Annual report 2011

On 31 March 2011 the Company had been notified of the following holdings of 3% or more of the total voting rights attaching to its issued share capital:

	Number of ordinary shares held	Percentage held
Prime Focus Limited	19,567,003	59.96%
Mrs. Diana Dixon	3,340,000	10.24%
Oryx International Growth Fund Limited	1,800,000	5.52%
TD Waterhouse Nominees (Europe) Limited	1,257,859	3.85%
Chase Nominees Limited	1,117,000	3.42%

Creditor payment policy and practice

It is the Group's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the Group and its suppliers, provided that all trading terms and conditions have been complied with. At 31 March 2011, the Group had an average of 182 days (As at 31 March 2010: 133 days).

Charitable and political donations

No charitable or political donations were made in the year. The policy of the directors is to leave the decision to make such contributions at the discretion of the individual shareholders.

Going concern

The directors, having reviewed the Group's forecasts, are confident that the Group has adequate financial resources to continue in operational existence for the foreseeable future. The directors have, therefore, continued to adopt the going concern basis in preparing these accounts. Furthermore, the ultimate Parent Company has confirmed that it will continue to support the company for a period of at least twelve months from the date of approval of these financial statements.

Close Company status

The Company is not a close Company within the meaning of Schedule 19 of the Income and Corporation Taxes Act 1988.

Employee involvement

The Group's policy is to encourage employee involvement at all levels as it believes this is essential for the success of the business. The directors have adopted an open management style and encourage communication to give employees the opportunity to contribute on business issues.

The Group does not discriminate against anyone on any grounds. Criteria for selection and promotion are based on the suitability of an applicant for the job. Applicants for employment by disabled persons are always fully considered, bearing in mind the respective aptitude of the applicant concerned.

Financial Risk Management

Details of the Group's financial risk management objectives and policies are provided in note 4 to the financial statements.

Directors' statement of disclosure of information to auditors

Having made the requisite enquiries, the directors in office at the date of this Annual Report and Financial Statements have each confirmed that, so far as they are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Group's auditors are unaware, and each of the directors has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Group's auditors are aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Prime Focus London plc
Annual report 2011

Auditors

The Company's Auditor, Shipleys LLP, Chartered Accountants, have signified their willingness to be re appointed and resolution for their re appointment will be proposed at the Annual General Meeting.

On behalf of the Board

Namit Malhotra

Director

28 September 2011

Prime Focus London plc

Annual report 2011

Statement of Directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the Company financial statements under United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. The directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication

The directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Prime Focus London plc

Annual report 2011

Statement of Corporate Governance

Although AIM listed companies are not required to report on the Combined Code, the directors are obliged to follow proper standards of corporate governance and will continue to keep procedures under review. The following provides an outline of the principal policies and procedures established by the Board.

The Board

The Board is responsible to shareholders for the overall management of the Group providing leadership within a framework of controls for managing risk; setting the Group's strategy; maintaining the policy and decision-making framework in which this strategy is implemented; ensuring that necessary resources are in place; monitoring performance and overseeing the system of risk management.

The responsibility of the directors is collective, taking into account their respective roles as executive and non-executive directors.

Chairman and Group Managing Director's function will be fulfilled by Namit Malhotra.

The non-executive directors bring a wide range of skills and experience to the Group together with independent judgement on issues of strategy, performance, risk and people.

There have been a total of thirteen board meetings during the year. The attendance record of the directors was as follows:

26 th May 2010	CHB Mills, M L Windeler, A Doshi
13 th July 2010	N Barnett, A Doshi
18 th August 2010	CHB Mills, M L Windeler, A Doshi, N Barnett
24 th September 2010	CHB Mills, M L Windeler, A Doshi, N Barnett
09 th November 2010	CHB Mills, M L Windeler, A Doshi
16 th November 2010	CHB Mills, M L Windeler, A Doshi, N Barnett
01 st December 2010	CHB Mills, M L Windeler, A Doshi, N Barnett
26 th January 2011	Namit Malhotra, CHB Mills, M L Windeler, N Fadia (alternate)
28 th January 2011	Namit Malhotra, CHB Mills, M L Windeler, N Fadia (alternate)
17 th February 2011	Namit Malhotra, CHB Mills, N Fadia (alternate)
03 rd March 2011	Namit Malhotra, CHB Mills, M L Windeler, N Fadia (alternate)
15 th March 2011	Namit Malhotra, CHB Mills, N Fadia (alternate)
18 th March 2011	Namit Malhotra, CHB Mills, M L Windeler, N Fadia (alternate)

Board committees

In view of the small size of the Board, the Remuneration Committee, composed of Christopher Mills and Marie Louise Windeler, has met once during the year. The committee's objective is to develop remuneration packages for executive directors that enable the Group to attract, retain and motivate executives of the appropriate calibre. No director is involved in deciding his or her remuneration. The Board's policy on executive remuneration and the details of executive directors' individual remuneration packages are fixed by the committee or the Board. Full details of the directors' remuneration are set out in the Directors' Remuneration Report.

The Audit Committee is composed of Christopher Mills and Marie Louise Windeler. The Audit Committee examines and reviews internal controls, together with accounting policies and practices, the form and context of financial reports and statements and general matters raised by the auditors. In addition the Audit Committee makes recommendations to the Board regarding the appointment of the external auditors, reviews their independence and objectivity, and monitors the scope and results of the audit. The Committee has met three times during the year under review.

Accountability and financial control

The Board has overall responsibility for the systems of financial control. Implementation and maintenance of the financial control systems is the responsibility of executive management. It should be understood, that such systems are designed to provide reasonable but not absolute assurance against material misstatement or loss. The Company has an established framework of internal

Prime Focus London plc Annual report 2011

financial controls which reflect the current scale of Group activities, the key features of which are as follows:-

Control environment - There are clearly defined organizational responsibilities and the Board is committed to employing suitably qualified staff so that the appropriate level of authority can be delegated with regard to accountability and acceptable levels of risk.

Information and financial reporting systems – The board reviews the adequacy of systems in place to record operational and financial information. The board approves the annual operating budgets and each month receives details of actual financial performance against budget.

Identification and evaluation of business risks and controls - Management control is exercised at all levels of the Group and is regulated by appropriate limits of authority. The directors have considered various areas of business risks and have developed appropriate policies to manage and diffuse those risks. These policies are reviewed in the light of known and perceived changes to the risks. For further details of identified risks and mitigation plans, please refer to the Managing Director's Review.

Quality and integrity of personnel - The Group attaches high importance to the values of trust, honesty and integrity of personnel in responsible positions and operates a policy of recruitment and promoting suitably experienced personnel with clearly defined accountabilities.

Investment appraisal - Capital investment being a significant element of the Group's operations, all major expenditure is included in the annual budget and reported quarterly to the Board. In addition, all potential and actual acquisition opportunities are regularly reviewed by the Board, both in meetings and by ad hoc reports.

Internal audit - Given the size of the Group and the close day-to-day involvement of the executive directors no formal internal audit is considered necessary.

Relations with shareholders

The Board places considerable importance on creating and maintaining a strong relationship with its shareholders and it is the responsibility of the Board as a whole to ensure that a satisfactory dialogue does take place. The Company uses the AGM as an opportunity to communicate with its shareholders. Notice of the AGM, which will be held at 37 Dean Street, London W1D 4PT on 1 November 2011, will be circulated to shareholders. Details of the resolutions and explanatory notes thereto are included with the Notice.

Namit Malhotra

Group Managing Director
28 September 2011

Prime Focus London plc

Annual report 2011

Report of the Remuneration Committee

The policy of the Group is to offer competitive remuneration packages that will attract, retain and motivate experienced and talented individuals who will enhance the value of the Group. The remuneration packages of the executive directors are reviewed and approved by the Remuneration Committee on an annual basis.

The remuneration of the executive directors is determined by the remuneration committee all of whom are non-executive directors: Christopher Mills (Chairman) and Marie Louise Windeler.

Directors' service agreements

The non-executive directors do not have a service agreement and their remuneration continues to be determined by the Board with the non-executive directors abstaining. In accordance with Regulation 82 to 84 of the Companies Articles of Association, one third of the non-executives retire each year and are eligible for re-election at the Company's Annual general Meeting.

Remuneration of the directors

	Salary £	2011 Total £	Salary £	2010 Total £
AG Doshi**	-	-	15,000	15,000
CHB Mills	15,000	15,000	15,000	15,000
M L Windeler	15,000	15,000	15,000	15,000
	30,000	30,000	45,000	45,000

** Emoluments for Mr A G Doshi are in respect of his holding the position as a Board Director. Mr Doshi did not receive any emoluments for his executive duties.

Mr Namit Malhotra, Mr Naresh Malhotra and Mr Riv Karan Singh did not receive any emoluments during the year.

The basic salary of each director is determined by taking into account the director's experience, responsibility, value to the organization and market value. There is no bonus scheme.

Remuneration paid to CHB Mills has been paid to J O Hambro Capital Management

Directors' interests in ordinary shares

None of the current directors at the date of this report have any interest in the shares of the Company.

The mid market price of the Company's shares at the end of the financial year was 16.25p. During the year, the share price ranged from 17p to 9p.

CHB Mills

Chairman
Remuneration Committee
28 September 2011

Prime Focus London plc

Annual report 2011

Independent Auditors' report to the members of Prime Focus London plc

We have audited the group financial statements of Prime Focus London plc for the year ended 31 March 2011 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Financial Position, the Consolidated Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the directors and auditors

As explained more fully in the Directors' Responsibilities Statement (set out on page 15), the Directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the Group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Prime Focus London plc
Annual report 2011

Independent Auditors' report to the shareholders of Prime Focus London plc - continued

Opinion of Financial Statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's affairs as at 31 March 2011 and of the Group's profit for the year then ended
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union.
- the Group financial statements have been prepared in accordance with the requirements of Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the Group financial statements are prepared is consistent with the Group financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Group companies, or returns adequate for our audit have not been received from branches not visited by us; or
- the Group's financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the Parent Company financial statements of Prime Focus London plc for the year ended 31 March 2011.

Benjamin Bidnell (Senior Statutory Auditor)

For and on behalf of

Shipleys LLP

Chartered Accountants & Statutory Auditor

10 Orange Street
Haymarket
London
WC2H 7DQ
28 September 2011

Prime Focus London plc
Annual report 2011

Consolidated Statement of Comprehensive Income for the year ended 31 March 2011

	Notes	2011 £000	Restated 2010 £000
Revenue	5	30,608	21,512
Cost of sales		(11,890)	(2,412)
Gross profit		18,718	19,100
Net operating charges		(15,842)	(17,477)
Other Income	8	1,159	-
Operating profit / (loss) before exceptional items	6	4,035	1,623
Exceptional items	10	5	(1847)
Operating profit / (loss)		4,040	(224)
Finance income	9	464	270
Finance costs	9	(594)	(593)
Profit / (loss) before taxation		3,910	(547)
Taxation	11	(108)	(384)
Profit / (loss) for the year		3,802	(931)
Other comprehensive income:			
Revaluation of available-for-sale financial assets		-	-
Total comprehensive income for the year		3,802	(931)
Earnings per share (pence)			
Basic	12	11.65	(2.85)
Diluted	12	11.53	(2.82)

The above results are derived from continuing activities.

Namit Malhotra
 Director

Prime Focus London plc
Annual report 2011

Consolidated Statement of Financial Position at 31 March 2011

	Notes	31 March 2011 £000	Restated 31 March 2010 £000
ASSETS			
Non-current assets			
Intangible assets	13	707	9,345
Property, plant and equipment	14	7,997	6,746
Other receivables	-	-	-
Deferred tax assets	19	-	18
Investments	16	32	22
Total non-current assets		8,736	16,131
Current assets			
Inventories	17	38	30
Trade and other receivables	18	21,563	11,265
Cash and cash equivalents		1,300	1,224
Total current assets		22,901	12,519
Total assets		31,637	28,650
EQUITY			
Capital and reserves attributable to equity shareholders			
Share capital	20	1,632	1,632
Share premium account		6,498	6,498
Capital redemption reserve		270	270
Fair value reserve		(10)	-
Special reserve		-	-
Retained earnings		(810)	(4,612)
Total equity		7,580	3,788
LIABILITIES			
Non-current liabilities			
Borrowings	25	2,030	3,405
Deferred tax liability	19	90	-
Total non-current liabilities		2,120	3,405
Current liabilities			
Borrowings	22	6,247	4,936
Trade and other payables	23	15,690	16,521
Current income tax liabilities	24	-	-
Total current liabilities		21,937	21,457
Total liabilities		24,057	24,862
Total equity and liabilities		31,637	28,650

The financial statements were approved by the Board of Directors and authorised for issue on 28 September 2011.

Namit Malhotra
 Director

Prime Focus London plc
Annual report 2011

Consolidated Statement of cash flows for the year ended 31 March 2011

	2011	Restated
	£000	2010 £000
Cash Flows from operating activities		
Profit / (loss) before taxation	3,910	(505)
Finance income	(464)	(270)
Finance costs	594	593
Depreciation	1,111	1,240
Share based payment	-	95
W/off liabilities of companies under administration (Prior year adjustments)	(3,462)	7
Non-cash exceptional items	-	(1,657)
Profit on disposal of fixed assets	-	(84)
Operating cash flows before movements in working capital	1,689	581
Increase in inventories	(8)	1
Increase in receivables	(10,299)	(2,037)
Increase in payables	2,631	13,005
Cash generated from operations	(5,987)	10,388
Interest received	464	270
Interest paid	(594)	(592)
Tax recovered / (paid)	-	-
Net cash generated from operating activities	(6,117)	10,066
Cash flows from investing activities		
Purchases of property, plant and equipment	(2,361)	(777)
Purchases of intangible assets	(498)	(9,345)
Proceeds from sale of property, plant and equipment	9,116	83
Net cash (used in)/generated from investing activities	6,257	(10,039)
Cash flows from financing activities		
Issue of shares	-	-
Net receipt / (repayment) in respect of Parent borrowings	(2,461)	692
Repayment of Hire Purchase Obligations	(276)	(213)
(Repayment) / receipt of Bank and other loans	2,673	(784)
Net cash generated from financing activities	(64)	(305)
Increase / (Decrease) in cash & cash equivalents	76	(278)
Cash and cash equivalents at the beginning of the year	1,224	1,502
Cash and cash equivalents at the end of the year	1,300	1,224

Prime Focus London plc
Annual report 2011

Consolidated statement of changes in equity

	Share capital	Share premium (i)	Capital redemption reserve (ii)	Fair value reserve (iii)	Special reserve (iv)	Retained earnings (v)	Total Equity
	£000	£000	£000	£000	£000	£000	£000
At 1 April 2009	1,632	6,498	270	-	-	(3,776)	4,624
Comprehensive income:							
Profit for the year (restated)	-	-	-	-	-	(931)	(931)
Transactions with owners:							
Share-based payments	-	-	-	-	-	95	95
At 31 March 2010	1,632	6,498	270	-	-	(4,612)	3,788
Comprehensive income:							
Profit for the year	-	-	-	-	-	3,802	3,802
Revaluation of investments	-	-	-	(10)	-	-	(10)
Transactions with owners:							
Share-based payments	-	-	-	-	-	-	-
At 31 March 2011	1,632	6,498	270	(10)	-	(810)	7,580

- (i) Share premium – amount subscribed for share capital in excess of nominal value, net of directly attributable issue costs.
- (ii) Capital redemption reserve - created as a result of a previous share buy-back.
- (iii) Fair value reserve – represents cumulative gains or losses on the fair value of available for sale investments recognized in other comprehensive income.
- (iv) Special reserve – created following court application for reduction in share capital. This was then released against the deficit recorded in retained earnings as permitted by the court.
- (v) Retained earnings – cumulative net gains and losses recognized in the consolidated statement of comprehensive income net of associated share based payment credits.

Prime Focus London plc

Annual report 2011

Notes to the Accounts

1. General information

Prime Focus London plc ("the Company") and its subsidiaries (together "the Group") are technology based creative service providers to the media and entertainment industry.

The Company is a public limited company which is listed on the AIM Market of the London Stock Exchange and is incorporated and domiciled in England (Registration number 1694613). The address of its registered office and principal place of business is 64 Dean Street, London W1D 4QQ.

These financial statements were authorised for issue on 28 September 2011.

2. Significant accounting policies

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and International Financial Reporting Interpretation Committee (IFRIC) interpretations as endorsed by the European Union, and those parts of the Companies Act 2006 as applicable to companies reporting under IFRS.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 March 2011. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of subsidiaries acquired during the year are included in the Consolidated Statement of Comprehensive Income from the date at which power of control is transferred to the group.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Associates

Where the Group has the power to participate in (but not control) the financial and operating policy decisions of another entity, it is classified as an associate. Associates are initially recognised in the consolidated statement of financial position at cost. The Group's share of post-acquisition profits and losses is recognised in the consolidated statement of comprehensive income, except that losses in excess of the Group's investment in the associate are not recognised unless there is an obligation to make good those losses.

Business combinations and goodwill

The acquisition of subsidiaries is accounted for using the purchase method.

On acquisition, the acquiree's identifiable assets (including intangible assets), liabilities and contingent liabilities of an acquired entity are measured at their fair value and recognised at the acquisition date. The determination of these fair values is based upon management's judgment and includes assumptions on the timing and amount of future incremental cash flows generated by the assets acquired and the selection of an appropriate cost of capital.

Goodwill arising on consolidation represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets / net liabilities of the acquired entity at the date of acquisition. At the date of acquisition, goodwill acquired is recognised as an asset and allocated to each of the cash-generating units expected to benefit from the business combination's synergies and to the lowest level at which management monitors the goodwill.

Prime Focus London plc Annual report 2011

Goodwill is reviewed for impairment at least annually by assessing the recoverable amount of each cash-generating unit to which the goodwill relates. The recoverable amount is the higher of fair value less costs to sell, and value in use. When the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. Any impairment loss is recognised immediately in profit or loss and is not subsequently reversed.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Revenue recognition

Revenue comprises the fair value of the consideration received for the sale of services and products in the ordinary course of the Group's activities. Revenue is shown net of value added tax, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historic results, taking into consideration the type of transaction, the type of customer and the specifics of each arrangement.

(a) Content services, post production & animation

Software sales

Where software is sold to a third party, there may be separable elements of the transaction, such as software products, upgrades or maintenance contracts. The Group allocates revenue to each element based upon fair value. Revenue for software products is recognised on delivery whereas revenue for upgrades or maintenance contracts is recognised on a straight line basis over the life of the relevant contract.

Post production & animation services

The group sells a variety of post production services to clients in the film, broadcast and commercials sectors. These services are provided as fixed price contracts, with contract terms generally ranging over a period of many months.

Where the outcome of a contract can be estimated reliably, revenue under these fixed price contracts is recognised under the percentage completion method based on the services performed to the reporting date as a percentage of total services expected to be performed to deliver the contract. The Group generally measures services performed by reference to hours spent.

Unbilled revenue is included as accrued income within receivables. Revenue in respect of subsequent sales of completed productions is recognised at the date the sale is agreed and the product is shipped.

Where the terms of a contract take the form of an agency arrangement, for example when the group does not have exposure to significant risk associated with the completion of the contract, commission revenue are recognised according to contractual element.

(b) VFX

The group sells VFX services to clients in the film, broadcast and commercials sectors. These services are provided as fixed price contracts, with contract terms generally ranging over a period of many months.

Where the outcome of a contract can be estimated reliably, revenue under these fixed price contracts is recognised under the percentage completion method based on the services performed to the reporting date as a percentage of total services expected to be performed to deliver the contract. The Group generally measures services performed by reference to hours spent.

Prime Focus London plc Annual report 2011

Unbilled revenue is included as accrued income within receivables. Revenue in respect of subsequent sales of completed productions is recognised at the date the sale is agreed and the product is shipped.

Operating profit

Operating profit is shown after the deduction of expenses incurred in the ordinary course of business. Exceptional items represent income or expenses which based on their materiality and non-recurring nature have been separately disclosed to allow an assessment of the group's underlying operating profit.

Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The fair value of share option awards are estimated at the date of award, using a Black-Scholes model, taking into account the terms and conditions of the award.

No expense is recognised for grants that do not vest and charges previously made are reversed except where vesting is conditional upon a market condition which are treated as vesting irrespective of whether or not the market condition is satisfied, provided all other performance conditions are satisfied.

At each reporting date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions, the number of equity instruments that will ultimately vest or, in the case of an instrument subject to a market condition, be treated as vesting as described above. The movement in cumulative expense since the previous balance sheet date is recognised in profit or loss, with a corresponding entry in equity.

Where the terms for an equity-settled award are modified, and the modification increases the total fair value of the share-based payment, or is otherwise beneficial to the employee at the date of modification, the incremental fair value is amortised over the vesting period.

Leasehold improvements, equipment, motor vehicles, fixtures and fitting

Leasehold property, equipment, motor vehicles, fixtures and fittings are stated at cost less accumulated depreciation and any provision for impairment. Cost comprises all costs that are directly attributable to bringing the asset into working condition for its intended use. Depreciation is calculated to write down the cost of fixed assets to their residual values on a reducing balance basis over the following estimated useful economic lives:

Equipment	13.91%
Fixtures and fittings	18.10%
Motor vehicles	25.89%

Leasehold improvements are depreciated on a straight line basis over the unexpired period of the lease.

Hire purchase and leased assets

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their expected useful lives at the rates set out above. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease.

All other leases are operating leases which have annual rentals charged to the profit and loss on a straight line over the lease term.

Acquired intangible assets

Film rights represent amounts paid by the Group in respect of content distribution agreements for certain film distribution rights where the Group intends to enhance and release such films. Film rights are measured initially at cost and are amortised on a straight-line basis over their estimated useful lives. The period of amortisation only starts at the point at which the films to which the Group has purchased rights have been enhanced and become available to produce economic returns.

Prime Focus London plc

Annual report 2011

Customer contracts acquired in a business combination are recognised at fair value at the acquisition date. The contractual customer relations have a finite useful life and are amortised on a straight-line basis over this life, which is usually less than one year.

Impairment of tangible and intangible assets excluding goodwill

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets are impaired. If such indication exists, the recoverable amount of the asset is established in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, an estimate is made of the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell, and value in use. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of the recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised as a credit to profit or loss immediately.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Leased assets

Where substantially all of the risks and rewards incidental to ownership of a leased asset have been transferred to the Group (a "finance lease"), the asset is treated as if it had been purchased outright. The amount initially recognised as an asset is the lower of the fair value of the leased property and the present value of the minimum lease payments payable over the term of the lease. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to profit or loss over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

Where substantially all of the risks and rewards incidental to ownership are not transferred to the Group (an "operating lease"), the total rentals payable under the lease are charged to profit or loss on a straight-line basis over the lease term. The aggregate benefit of lease incentives is recognised as a reduction of the rental expense over the lease term on a straight-line basis.

Foreign currency translation

Transactions in currencies other than the functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the year.

Prime Focus London plc

Annual report 2011

Taxation

Corporation tax expense represents the sum of corporation tax currently payable and deferred tax. The tax currently payable is based on the taxable profit for the year. Taxable profit differs from profit as reported in the Statement of Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the statement of comprehensive income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Retirement benefits

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.

Financial instruments

Financial assets and financial liabilities are recognised in the Statement of Financial Position when the Group becomes a party to the contractual provisions of the instrument.

Trade receivables

Trade receivables are non-interest bearing and are recognised initially at fair value and subsequently measured less provision for impairment. A provision for impairment of trade receivables is established where there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments are considered indicators that the trade receivable is impaired.

When a trade receivable is uncollectible, it is written off against the provision for trade receivables. Subsequent recoveries of amounts previously written off are credited to profit or loss.

Investments

For available-for-sale investments, gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the net result for the period. Dividends on an available-for-sale equity instrument are recognised in profit or loss when the entity's right to receive payment is established.

Prime Focus London plc

Annual report 2011

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term, highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Trade payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Going concern

The Directors acknowledge the latest guidance issued by the Financial Reporting Council in October 2009: "Going Concern and Liquidity Risk: Guidance for Directors of UK Companies 2009".

The Group's activities, together with the factors likely to affect its future development are set out in the Managing Director's Review. The Group meets its day to day working capital requirements and funds its investment on content through a variety of banking arrangements, cash generated from operations or, where necessary, by loan from the Ultimate Parent Company, Prime Focus Limited. The Ultimate Parent Company has confirmed it will continue to support the Group for the foreseeable future if necessary.

The banking arrangements are shown in note 25 to the accounts. The bank arrangements are subject to covenants and the Group is in full compliance with its existing bank facility covenant arrangements.

The Group is exposed to uncertainties arising from the economic climate and also in the markets which it operates. Market conditions could lead to lower than anticipated demand for the Group's products and services and exchange rate volatility could also impact reported performance. The directors have considered the impact of these and other uncertainties and factored them into their financial forecasts and assessment of covenant headroom. The Group's forecasts and projections, taking into account of the reasonable possible changes in trading performance (and available mitigating actions), show that the Group will be able to operate within the expected limits of the banking arrangements and provide headroom against the covenants for the foreseeable future.

In the directors' view, the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason the directors continue to adopt the going concern basis in preparing the financial statements.

Inventories

Inventories are included at the lower of cost and net realisable value less any provision for impairment.

Prime Focus London plc

Annual report 2011

Changes in accounting policy

i) Adoption of new and revised International Accounting Standards (IAS/IFRS) and Interpretations affecting current or prior periods:

Amendments to IAS 1 Presentation of Financial Statements: A Revised Presentation: As a result of the application of this amendment the Group has elected to present a single statement of comprehensive income; previously it presented an income statement and the statement of recognised income and expense. In addition, a statement of changes in equity is now presented as a primary statement where previously the information was included in a note. An analysis of the tax effect of any items recognised in other comprehensive income will be included if this is applicable in the future. The amendment does not change the recognition or measurement of transactions and balances in the financial statements.

IFRS 8 Operating Segments: This standard sets out requirements for the disclosure of information about an entity's operating segments and also about the entity's products and services, the geographical areas in which it operates, and its major customers. The segments are to be identified on the basis of internal reports about components of the entity that are regularly reviewed by the chief operation decision maker in order to allocate resources to the segments and to assess its performance. It replaces IAS 14 Segmental Reporting. The adoption of the standard does not change the recognition or measurement of transactions and balances in the financial statements.

There has been no material impact on the financial statements of the Group with respect to other International Accounting Standards (IAS/IFRS) and Interpretations becoming effective during the period.

ii) International Accounting Standards (IAS/IFRS) and interpretations not yet adopted:

At the date of authorisation of these financial statements the following Standards and Interpretations that have not been applied in these financial statements were in issue but not yet effective. Other than as described below, the directors do not anticipate any of the new standards, amendments and interpretations issued but not yet effective to have a material impact on the financial statements.

- Revised IFRS 3 Business Combinations (effective from periods beginning 1 July 2009): Revised IFRS 3 retains the requirement to apply acquisition accounting in all cases and to identify and recognise intangible assets separately from goodwill. However, for all future acquisitions, all acquisition costs shall be written off to profit or loss instead of being included in the cost of investment; an intangible asset shall be recognised even if it cannot be reliably measured; and, it will be possible to gross up the balance sheet for goodwill attributable to 'non-controlling interests' (previously 'minority interests'). The revised standard will not require the restatement of the Group's previous business combinations.
- Amendments to IAS 27 Consolidated and Separate Financial Statements (effective from periods beginning 1 July 2009): This amendment affects in particular the acquisition of subsidiaries achieved in stages and disposals of interests, with significant differences in the accounting depending on whether or not control is obtained as a result of the transaction, or where a transaction results only in a change in the percentage of a controlling interest. The amendment will not require the restatement of previous transactions.
- IFRS 9 Financial Instruments: IFRS 9 will eventually replace IAS 39 in its entirety. However, the process has been divided into three main components (classification and measurement; impairment; and, hedge accounting) and it is considered unlikely that the new standard will be endorsed until all of these components are in their final form. While the current standard is largely incomplete, its eventual adoption may result in changes to the classification and measurement of the Group's financial instruments.

Prime Focus London plc Annual report 2011

- IAS 24 Related party disclosures: The revision to IAS 24 is in response to concerns that the previous disclosure requirements and the definition of a related party were too complex and difficult to apply in practice, especially in environments where governments control is pervasive. The revised standard addresses these concerns by providing a partial exemption for government-related entities and providing a revised definition of a related party. The revised definition will mean that some entities will have more related parties for which disclosures will be required. The revision may result in additional or revised related party disclosures made by the Group.

3. Critical accounting estimates and judgments

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which from the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical estimates and assumptions are primarily made in respect of revenue recognition. As set out in the accounting policy note, turnover is recognised as contract activity progresses and the right to consideration is earned, reflecting time and cost incurred as a percentage of total anticipated costs.

4. Capital management and financial instruments

- a) Categorisation of financial instruments

At 31 March 2011	Available-for-sale £'000	Loans and receivables £'000	Total £'000
Non-current financial assets			
Investments	32	-	32
Current financial assets			
Trade and other receivables (Note 18)	-	18,694	18,694
Cash and cash equivalents	-	1,300	1,300
	<u>32</u>	<u>19,994</u>	20,026
Non-current financial liabilities			
Borrowings (Note 25)	-	2,030	2,030
Current financial liabilities			
Borrowings (Note 22)	-	6,247	6,247
Trade and other payables (Note 23)	-	11,933	11,933
	<u>-</u>	<u>20,210</u>	20,210

Prime Focus London plc

Annual report 2011

At 31 March 2010	Available-for-sale £'000	Loans and receivables £'000	Total £'000
Non-current financial assets			
Investments	22	-	22
Current financial assets			
Trade and other receivables	-	8,802	8,802
Cash and cash equivalents	-	1,224	1,224
	22	10,026	10,048
Non-current financial liabilities			
Borrowings	-	3,405	3,405
Current financial liabilities			
Borrowings	-	4,936	4,936
Trade and other payables	-	8,787	8,787
	-	17,128	17,128

b) Capital risk management

Capital comprises all components of equity – share capital, other reserves and retained earnings. The Group's objectives when managing capital are to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. At present the Group is unable to pay dividends or return equity to shareholders.

The Group sets the amounts of capital it requires in proportion to risk. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may issue new shares or sell assets to reduce debt.

During the year ended 31 March 2011 the Group's strategy, which was unchanged from the previous year, was to monitor and manage the use of funds whilst developing business strategies and marketing.

c) Financial risk management

i) Credit risk

Credit risk is the risk of financial loss to the Group if a client or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from clients and cash. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

The Group has a low credit risk in respect of its trade receivables, its principal customers being national broadcasters and major organisations which the Group has worked with for a number of years. The Group is also exposed to credit risk in respect of its cash and seeks to minimize this risk by holding funds on deposit with major United Kingdom financial institutions.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet. The highest credit risk exposure to a single customer at 31 March 2011 was £265k (2010: £254k).

An analysis of ageing of debt and the movement in the allowance for doubtful accounts is presented in note 18.

Prime Focus London plc Annual report 2011

ii) Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Board, which has developed a liquidity management forecasting process which aims to ensure that the Group has sufficient cash at all times to meet liabilities as they fall due.

Working capital requirements are generally provided from cash generated from operations, bank overdraft or, where necessary, by loan from the Parent Company, Prime Focus Limited.

The following analysis sets out the maturities of financial assets and liabilities.

At 31 March 2011	Less than 3 months £'000	Between 3 and 12 months £'000	More than 12 months £'000	Total £'000
Financial assets				
Investments	-	-	32	32
Trade and other receivables	14,291	4,403	-	18,694
Cash and cash equivalents	1,300	-	-	1,300
	15,591	4,403	32	20,026
Financial liabilities				
Borrowings	4,755	1,492	2,030	8,277
Trade and other payables	6,968	4,965	-	11,933
	11,723	6,457	2,030	20,210
At 31 March 2010				
	Less than 3 months £'000	Between 3 and 12 months £'000	More than 12 months £'000	Total £'000
Financial assets				
Investments	-	-	22	22
Trade and other receivables	7,564	1,238	-	8,802
Cash and cash equivalents	1,224	-	-	1,224
	8,788	1,238	22	10,048
Financial liabilities				
Borrowings	1,149	3,787	3,405	8,341
Trade and other payables	8,260	527	-	8,787
	9,409	4,314	3,405	17,128

iii) Market risk

The Group does not trade in financial instruments. As described in note 16, the Group does have an equity investment which is exposed to price risk, but the directors do not consider this to be material to the Group.

It is, and has been throughout the year under review, the Group's policy that financial derivatives shall not be used. As a result, the Group has not used interest rate hedges and currency swaps during the year.

Accordingly, the primary market risks to which the Group is exposed are foreign currency and interest rate risk.

Foreign currency risk

Some equipment is purchased in US Dollars. Management has continued to monitor the foreign exchange risk so that appropriate action can be taken if required.

Prime Focus London plc Annual report 2011

The table below shows the extent to which the Group has financial assets and liabilities in currencies other than Sterling. Foreign exchange differences on re-translation of these assets and liabilities are recognised profit or loss.

	US Dollars £000	GB pounds £000	2011 Total £000
Assets - GBP	3,634	16,392	20,026
Liabilities - GBP	7,074	13,136	20,210

	US Dollars £000	GB pounds £000	2010 Total £000
Assets - GBP	811	9,237	10,048
Liabilities - GBP	2,204	14,924	17,128

A 10 percent strengthening of Sterling against the US Dollar at 31 March would have increased / (decreased) equity and profit or loss by £974k (2010: £274k). A 10 percent weakening of sterling against the US Dollar at 31 March would have had the equal but opposite effect. This analysis assumes that all other variables, in particular interest rates, remain constant.

Interest rate risk

Bank loans are arranged at floating rates, thus exposing the Group to cash flow interest rate risk. The Group does not consider this risk as significant. The benchmark rates for determining floating rate liabilities are based on LIBOR.

The interest rate profile of the Group's financial assets and liabilities were:

At 31 March 2011	Fixed rate £'000	Floating rate £'000	Interest free £'000	Total £'000
Financial assets				
Investments	-	-	32	32
Trade and other receivables	-	-	18,694	18,694
Cash and cash equivalents	-	1,300	-	1,300
	-	1,300	18,726	20,026
Financial liabilities				
Borrowings	1,684	5,220	1,373	8,277
Trade and other payables	-	-	11,933	11,933
	1,684	5,220	13,306	20,210
At 31 March 2010				
Financial assets				
Investments	-	-	22	22
Trade and other receivables	-	-	8,802	8,802
Cash and cash equivalents	-	1,224	-	1,224
	-	1,224	8,824	10,048
Financial liabilities				
Borrowings	1,960	2,547	3,834	8,341
Trade and other payables	-	-	8,787	8,787
	1,960	2,547	12,621	17,128

Prime Focus London plc Annual report 2011

A 1 percent increase in floating interest rates at 31 March would have decreased equity and profit by £39k (2010: £13k). A 1 percent decrease in floating interest rates at 31 March would have had the equal but opposite effect. This analysis assumes that all other variables remain constant.

5. Segmental Reporting

The Group is organised into operating segments based on the nature of services provided. The information reviewed by the executive directors, who are perceived to fulfill the function of chief operating decision maker for the Group, contains various operating segments however, certain of these operating segments are aggregated into one reportable segment on the basis of the operating segments having similar economic characteristics and one management team is responsible for these combined segments.

The reportable segments of the group are comprised of the following:

- Content services, post production & animation – providing data, content management and full post production & animation services and facilities to the broadcasting, advertising and film production sectors;
- VFX – offers a full range of services to film and broadcast including pre-production, pre-visualisation and design, VFX supervision, 3D animation, matte paintings, digital grading and title design.

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies. The executive directors evaluate performance on the basis of profit or loss before tax.

Year ended 31 March 2011	Content services, post production & animation	VFX	Total
	£'000	£'000	£'000
Revenue	21,867	8,741	30,608
Inter-segment transactions	-	-	-
Depreciation and impairment of property, plant & equipment	(914)	(197)	(1,111)
Other income and expenses	(13,375)	(12,212)	(25,587)
Profit / (loss) before tax	7,578	(3,668)	3,910

Year ended 31 March 2010 (Restated (Note 31))	Content services & post production	VFX	Total
	£'000	£'000	£'000
Revenue	19,046	2,466	21,512
Inter-segment transactions	(75)	75	-
Depreciation and impairment of property, plant & equipment	(1,043)	(197)	(1,240)
Other income and expenses	(17,189)	(3,630)	(20,819)
Loss before tax	739	(1,286)	(547)

Prime Focus London plc

Annual report 2011

Entity wide disclosures

Revenue by geographical markets

	2011	2010
	£'000	£'000
United Kingdom	24,820	16,587
Europe	29	92
Rest of the world	5,759	4,833
	30,608	21,512

Non-current assets by geographical market

	2011	2010
	£'000	£'000
United Kingdom	8,736	16,131

6. Operating profit / (loss) before exceptional items

	2011	2010
	£000	£000
Operating profit / (loss) is stated after charging/(crediting):		
Depreciation Charge for the period		
Owned Assets	823	944
Leased Assets	288	296
Total Depreciation	1,111	1,240
(Profit) / loss on disposal of property, plant and equipment, film rights	(1,643)	(84)
Impairment on available for sale investment	-	-
Impairment of goodwill	-	-
Amortisation of intangible assets	-	-
Operation lease rentals:		
Plant and Machinery	-	-
Others	1,054	1,021

Auditors' remuneration

	2011	2010
	£000	£000
Amounts receivable by auditors and their associates in respect of:		
Audit of financial statements of Company	30	30
Audit of financial statement of subsidiaries pursuant to legislation	9	9
All other services relating to taxation	3	3
All other services	2	2

Other fees paid to auditors relate to advice in connection with taxation, capital reduction implementation and compliance matters. The directors do not consider that the level of fees paid to the auditors for non-audit services threatens their independence. The auditors have confirmed they agree with the conclusion.

Prime Focus London plc
Annual report 2011

7. Staff numbers and costs

The average number of persons employed by the Group (including directors) during the year was:

	2011	2010
	No.	No.
Production and sales	246	182
Management and administration	60	60
	306	242

The total staff cost incurred by the Group was:

	2011	2010
	£000	£000
Wages and salaries	10,053	9,036
Social security costs	1,120	1,074
Other pension costs	-	-
Share based payments	-	95
	11,173	10,205

Directors' emoluments were £27,000 (2010: £45,000), of which the highest paid director's received £15,000 (2010: £15,000).

Contributions were paid on behalf of the directors to money purchase pension schemes amounting to £nil (2010: £nil).

Number of directors to whom retirement benefits are accruing under the defined contribution pension scheme is nil (2010: nil)

Key management remuneration (including directors):

	2011	2010
	£000	£000
Wages and salaries	2,202	1,656
Social security costs	264	201
Other pension costs	-	-
Share based payment	-	34
	2,466	1,891

Key management is defined as being the directors of the Group and other senior management with the authority and responsibility for planning, directing and controlling the Group's activities.

8. Other income

	2011	2010
	£000	£000
Rental income	24	-
Reverse Premium	47	-
Insurance Claim	149	-
Profit on Sale of investments	848	-
Exchange gain	91	-
	1,159	-

Prime Focus London plc

Annual report 2011

9. Finance income and cost	2011	2010
	£000	£000
Finance income		
Interest on loans to fellow subsidiaries	464	270
Finance cost		
Other interest payable	348	281
Interest on loans from Parent	184	270
Bank interest payable	62	42
	594	593

10. Exceptional Items

Exceptional Items relate to cost for compensation for loss of employment of £0.007m, exceptional cost for the VFX & 3D division of £3.660m and the profit from liabilities released on liquidation of subsidiaries of £3.672m. This gives a total exceptional item credit for the current year ending March 31, 2011 of £0.005m.

The prior year 2010 figures have been restated to only include the loss on assets not recoverable on liquidation of subsidiaries of £1.847m (refer note 31)

11. Tax expense

	2011	2010
	£000	£000
Current tax		
UK Corporation tax	-	-
Adjustments in respect of prior years	-	-
Deferred tax		
Origination and reversal of timing differences	(511)	384
Deferred tax assets relating to trading losses	403	-
Total tax on profit on ordinary activities	(108)	384

Deferred tax asset amounting to £1.048M for capital losses has not been recognised because in the opinion of the Directors, there will be no suitable taxable gains available in the foreseeable future.

Prime Focus London plc Annual report 2011

The difference between the tax charge and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is shown below.

	2011	2010
	£000	£000
Group profit / (loss) on ordinary activities before tax	3,910	2,957
Tax on Group profit / (loss) on ordinary activities at the standard UK corporation tax		
Rate of 28% (2010: 28%)	1,095	828
Effects of:		
Expenses Not Deductible including timing differences for capital allowances	(145)	(1,455)
Unrecognised tax losses	(61)	84
Tax losses no longer allowable due to cessation of trade	-	1,115
Adjustment to tax charge in respect of exceptional item adjustments	(889)	(188)
Tax charge for the year	-	384

12. Earnings per share

Basic earnings per share amounts are calculated by dividing the profit or loss attributable to owners of the parent by the weighted average number of shares in issue during the year.

Diluted earnings per share amounts are calculated by dividing the profit attributable to owners of the parent by the weighted average number of shares in issue during the year, adjusted for the effects of potentially dilutive options.

The dilution effect is calculated on the full exercise of all potentially dilutive ordinary share options granted by the Group.

All operations are continuing for the years presented.

	2011			2010		
	Basic	Potentially dilutive share options	Diluted	Basic	Potentially dilutive share options	Diluted
Profit / (Loss) (£000)	3,802		3,802	(931)	-	(931)
Weighted average number of shares (000s)	32,632	348	32,980	32,632	348	32,980
Earnings per share (pence)	11.65		11.53	(2.85)	-	(2.82)

Prime Focus London plc
Annual report 2011

13. Intangible assets

	Goodwill £000	Film Rights £000	Customer contracts £000	Total £000
Cost				
At 1 April 2010 (as previously stated)	-	9,345	-	9,345
Restatement	-	-	-	-
At 1 April 2010 (as restated)	-	-	-	-
Additions	49	429	-	478
Disposals	-	(9,116)	-	(9,116)
At 31 March 2011	49	(8,687)	-	(8,638)
Accumulated amortisation and impairment losses				
At 1 April 2010 (as previously stated)	-	-	-	-
Restatement (Note 31)	-	-	-	-
At 31 March 2011	-	-	-	-
Net carrying value				
At 31 March 2011	49	658	-	707
At 31 March 2010 (restated)	-	9,345	-	9,345
Cost				
At 1 April 2009 (as previously stated)	1,985	-	-	1,985
Restatement (Note 31)	(1,266)	-	1,760	494
At 1 April 2009 (as restated)	719	-	1,760	2,479
Additions	-	9,345	-	9,345
Disposals	(216)	-	-	(216)
At 31 March 2010 (as restated)	503	9,345	1,760	11,608
Accumulated amortisation and impairment losses				
At 1 April 2009 (as previously stated)	9	-	-	9
Restatement in relation to amortisation	494	-	1,760	2,254
At 1 April 2009	503	-	1,760	2,263
Net carrying value				
At 31 March 2010 (as restated)	-	9,345	-	9,345
At 31 March 2009 (as restated)	216	-	-	216

For details of restatement of prior year financial statements, please refer to note 31.

During the year, the Group entered into a content distribution agreement with a third party in respect of certain film distribution rights. The Group has recognised these film distribution rights based upon their fair value at acquisition. During the year these rights have been sold to a wholly owned subsidiary of the parent group – Prime Focus Motion Pictures Limited.

Prime Focus London plc
Annual report 2011

14. Property, plant and equipment

GROUP	Short leasehold premises £000	Motor Vehicles £000	Equipment, fixtures and fittings £000	Total £000
Cost				
At 1 April 2010	4,409	52	12,681	17,142
Additions	-	-	2,494	2,494
Disposals	-	-	(426)	(426)
At 31 March 2011	4,409	52	14,749	19,210
Accumulated depreciation				
At 1 April 2010	2,937	34	7,425	10,396
Charge for the year	227	4	937	1,168
Disposals	-	-	(351)	(351)
At 31 March 2011	3,164	38	8,011	11,213
Net Book Value				
At 31 March 2011	1,245	14	6,738	7,997
At 31 March 2010	1,472	18	5,256	6,746
Cost				
At 1 April 2009	4,409	52	17,290	21,751
Additions	-	-	1,607	1,607
Disposals	-	-	(6,216)	(6,216)
At 31 March 2010	4,409	52	12,681	17,142
Accumulated depreciation				
At 1 April 2009	2,710	27	11,098	13,835
Charge for the year	227	7	1,006	1,240
Disposals	-	-	(4,679)	(4,679)
At 31 March 2010	2,937	34	7,425	10,396
Net Book Value				
At 31 March 2010	1,472	18	5,256	6,746
At 31 March 2009	1,699	25	6,192	7,916

The net book value of equipment, fixtures & fittings includes an amount of £1,823,031 (2010:£2,177,661) in respect of assets held under hire purchase agreements. The charge for depreciation for the year on these assets was £288,757 (2010: £296,271).

Prime Focus London plc

Annual report 2011

15. Other receivables

	2011 £000	2010 £000
Amounts falling after more than one year:		
Other receivables	-	-
	-	-

16. Investments

	Listed equity investments £000	Other investments £000	Total £000
At 1 April 2010	22	-	22
Change in fair value	(10)	-	(10)
Addition	-	20	20
At 31 March 2011	12	20	32

	Listed equity investments £000	Total £000
At 1 April 2009	29	29
Change in fair value	(7)	(7)
At 31 March 2010	22	22

The Group through its wholly owned subsidiary, VTR Media Investments Limited, owns 1,750,000 ordinary shares of £1 each in Conexion Media Group Plc (formerly known as Music Copyrights Solutions plc), a company incorporated in England and Wales. This company is listed on AIM. The market value of these shares at 31 March 2011 was £12,250 (2010: £21,875).

The principal undertakings in which the Group's interest at the year end is more than 20% are as follows:

Subsidiary undertakings:	Principal activity at 31 March 2011	Country of incorporation	Percentage of ordinary shares held
Amazing Spectacles Limited **	Post production services	Great Britain	100%
Prime Focus Visual Entertainment Services Limited *	Broadcast post production	Great Britain	100%
VTR Media Investments Limited *	Media investments	Great Britain	100%
Clipstream Limited **	Digital content management	Great Britain	100%
PF Film UK Limited * (formerly known as 37 Dean Street Limited)	Dormant	Great Britain	100%
Meanwhile Content Limited **	Post production of television commercials	Great Britain	100%
Busy Buses Limited	Dormant	Great Britain	100%
PF Broadcast & Commercial Ltd *	Post production services	Great Britain	100%

* Held by Prime Focus London plc

** Held by VTR Media Investments Limited

The Company accounts for its investments in subsidiaries using the cost model.

Prime Focus London plc
Annual report 2011

17. Inventories

	2011	2010
	£000	£000
Tapes and cassettes	38	30

18. Trade and other receivables

	2011	2010
	£000	£000
Amounts falling due within one year:		
Trade receivables	14,499	6,461
Less: Provision for impairment of trade receivables	(887)	(369)
	13,612	6,092
Amounts owed from fellow subsidiaries	5,082	2,709
Prepayments and accrued income	2,869	2,464
	21,563	11,265

The average credit period for trade receivables at the end of the year is 162 days. (2010: 87 days).
The carrying amounts of the Group's trade and other receivables are denominated in sterling.

Trade receivables that are less than 3 months past due are not considered impaired. As of 31 March 2011, trade receivables of £4,403k (2010: £1,238k) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of all trade receivables is as follows:

	2011	2010
	£000	£000
Up to 3 months	9,209	4,854
3 to 6 months	1,479	497
Over 6 months	2,924	741
	13,612	6,092

An analysis of the movement in the provision for impairment of trade receivables is provided below:

	2011	2010
	£000	£000
Balance at beginning of year	369	443
Impairment losses recognised	518	293
Amounts written off	-	(367)
Balance at end of year	887	369

Prime Focus London plc Annual report 2011

19. Deferred tax

The movement for the year in the Group's net deferred tax asset provided at the UK company rate of corporation tax of 28% (2010: 28%) was as follows:

	2011 £000	2010 £000
Opening balance (as restated)	18	402
Recognised in statement of comprehensive income	(108)	(384)
Closing balance	(90)	18
The non-current asset/(provision) comprises:		
Accelerated capital allowances	(493)	18
Unutilised losses	403	-
	(90)	18

20. Called Up Equity Share Capital

The Company has issued the following shares during the year:

	2011		2010	
	£000	Number (000s)	£000	Number (000s)
Authorised				
Ordinary shares of 5p each	2,500	50,000	2,500	50,000
Allotted				
Allotted, called up and fully paid				
Ordinary shares of 5p each At 1 April 2010	1,632	32,632	1,632	32,632
Issued during the year				
Issue of Shares	-	-	-	-
Ordinary shares of 5p each at 31 March 2011	1,632	32,632	1,632	32,632

21. Share-based payments

During the year the company implemented a share option scheme for all employees of the Group who participated in a salary reduction scheme. The charge for the year recognised in profit or loss in respect of equity-settled, share-based payments is £nil (2010: £95k).

The following tables reconcile the number of share options outstanding and the weighted average exercise price:

	Options	Weighted average exercise price
	Number	Pence
Outstanding at 1 April 2010	1,086,190	7.00
Granted	-	-
Forfeited	-	-
Exercised	-	-
Outstanding at 31 March 2011	1,086,190	7.00
Exercisable as at 31 March 2011	-	-

Prime Focus London plc

Annual report 2011

For the year ended 31 March 2010

	Options	Weighted average exercise price
	Number	Pence
Outstanding at 1 April 2009 and 1 April 2008	-	-
Granted	1,086,190	7.00
Forfeited	-	-
Exercised	-	-
Outstanding at 31 March 2010	1,086,190	7.00
Exercisable as at 31 March 2010	-	-

The average share price during the year ended 31 March 2011 was 12.42p (2010: 14.22p).

The fair value of share options is estimated at the date of grant using the Black-Scholes option pricing model. The following table gives the assumptions applied to the options granted in the respective periods shown.

	2011	2010
Expected dividend yield (%)	-	0%
Expected volatility (%)	-	36%
Risk-free interest rate (%)	-	4.5%
Expected life of options (years)	-	5 years
Weighted average fair value of options granted (pence)	-	16.08p
Probability of forfeiture (%)	-	0%
Share price (pence)	-	21.5p
Weighted average exercise price (pence)	-	7p

22. Borrowings

Due within one year	2011	2010
	£000	£000
Bank loan	3,816	415
Hire Purchase Obligation	1,058	687
Loan from Parent Company	1,373	3,834
	6,247	4,936

23. Trade and other payables

	2011	2010
	£000	£000
Trade payables	9,809	7,435
Other payables	2,124	1,352
Accruals and deferred income	2,825	2,308
Social security and other taxes	932	5,426
	15,690	16,521

The average credit period taken for trade payable at the end of the year is 161 days (2010: 133days).

Prime Focus London plc Annual report 2011

24. Income tax liabilities

Amounts falling within one year:	2011 £000	2010 £000
Corporation tax payable	-	-

25. Borrowings

Due after more than one year	2010 £000	2010 £000
Bank / other loan	1,404	2,132
Hire purchase obligation	626	1,273
	2,030	3,405

Analysis of debt maturity:	2011 £000	2010 £000
Repayable within one year		
Bank loan	3,816	415
Hire purchase obligations	1,058	687
Loan from Parent Company	1,373	3,834
	6,247	4,936
Repayable between one and two years		
Bank / other loan	1,404	2,132
Hire purchase obligations	313	636
Repayable between two and five years		
Bank loan	-	-
Hire purchase obligations	313	637
	2,030	3,405

Bank loans are secured by a fixed and floating charge over the assets of the Group.

The maximum facility available as per the Bibby Factors Manchester Limited Invoice discounting loan is £1.5 million (2010: £1 million from RBS). Interest is charged at 2.5% (2010: 2.5%) above the Bank of England base rate.

Prime Focus London plc

Annual report 2011

26. Operating Lease and Capital commitments

(a) Total commitments under non-cancellable operating leases, together with the obligations by maturity, are as follows:

	2011 £000	2010 £000
Commitments under non-cancellable operating leases:		
Within one year	1,054	1,054
Later than one year and less than five years	4,020	4,175
After five years	1,765	2,529
	6,839	7,758

27. Pensions

The Group's principle pension plans comprise a defined contribution pension scheme. The pension charge for the year represents contributions payable by the Group which amounted to £nil (2010: £nil).

There were no outstanding or prepaid contributions at either the beginning or end of each financial year.

28. Related party transactions

The following transactions with companies within the Group headed by Prime Focus Investments Limited ("PFIL group"), a fellow subsidiary company, occurred during the year:

- Prime Focus North America Inc, as associate company in USA, being a subsidiary of the Parent Company paid a sum equivalent of £31,439 (2010: £133,016) on behalf of PFLPLC to third parties in respect of operational and capital expenditures.
- Prime Focus North America Inc charged Parent company the equivalent of £40,949 for travel expenses (2010: £247,277) and £2,619,796 (2010: £670,556) for license fees.
- PFLPLC charged Post Logic Studios £371,444 (2010: £234,429) for loan interest incurred by the company. Costs of £155,650 (2010: £258,119) were incurred by PFLPLC in relation to fixed assets. Additionally, costs in relation to travel and other business expenses totalling £160,836 (2010: £38,155) were incurred by PFLPLC.
- At 31 March 2011 the balance due from Post Logic Studios Inc was a sum of £3,626,387 (2010: £4,257,974), including an underlying loan of £4,511,921.
- PFLPLC paid a sum of £0 (2010: £152,039) to third parties in respect of capital expenditures by Frantic Film VFX Inc, an associate company in Canada, being a subsidiary of Parent Company. Additionally, costs in relation to travel and other business expenses totalling £6,334 (2010: £29,184) were incurred by PFLPLC. Frantic Film VFX incurred costs of £0 (2010: £14,537) on behalf of PFLPLC.
- At 31 March 2011 the balance due from Frantic Films VFX Inc was a sum of £684,735 (2010: £678,401), including an underlying loan of £309,671.
- The balance outstanding at the end of the year payable to Prime Focus Investments Limited was £145,549 (2010: £1,650,076).

Prime Focus London plc

Annual report 2011

- At 31 March 2011 the balance due from Prime Focus Motion Pictures Limited was a sum of £9,055,000 towards sale of film rights.

The following transactions with Parent Company (Prime Focus India Limited) occurred during the year:

- Parent Company charged PFLPLC for operational related expenditure relating to PFLPLC's activities in sum of £12,152 (2010 : £78,264);
- Parent Company charged PFLPLC for expenditure relating to Worldwide Outsourcing fees a sum of £nil (2010 : £670,556);
- Parent Company charged PFLPLC for bank loan processing fees a sum of £0 (2010: £133,464);
- PFLPLC paid a sum of £nil (2010: £50,906) to third party on behalf of Parent Company;
- Parent Company carried out post production work on PFLPLC clients. The total fees paid by PFLPLC to Parent Company was £3,157,026 (2010: £366,183).
- The balance outstanding at the end of the year payable to Parent Company was £3,514,132 (2010: £527,329).
- The balance outstanding at the end of the year towards Share Application from Parent Company was £nil (2010: £3,198,190)
- During the year PFLPLC paid expenses totalling £22,482 (2010: £750) on behalf of Prime Focus Investments Limited.
- During the year PFLPLC sold rights to India for £900,000.

The Parent Company has indemnified against all foreign exchange gains and losses.

As reported in previous year's accounts under related party balances, certain equipment owned by the Company is retained in India for the use of the Group's trading activities. No charge has been made by the Parent Company for rent, maintenance and operation of the equipment.

29. Contingent assets & liabilities

The bank loans of the Group undertakings are secured by cross guarantee between Group companies. At 31 March 2011, the liability of the bank was borne by the Company at a value of £nil (2010: £68,165)

The Company is a member of a Group VAT registration and is jointly and severally liable for any debts by member of the registration as at the year ended 31 March 2011. The total Group liability amounted to £479,697.

30. Ultimate controlling party

Prime Focus Limited, a company incorporated in India is the ultimate controlling party.

Prime Focus London plc

Annual report 2011

31. Prior year restatements

Write back off liabilities of companies under administration.

Effect on the financial statements

The effect of above restatements is summarised below:

	As previously stated 31 March 2010 £'000	As restated 31 March 2010 £'000	Restatement 31 March 2010 £'000
Effect on Statement of Financial Position			
Current liabilities	13,017	16,521	3,504
Retained earnings	(1,108)	(4,612)	(3,504)
Net effect on equity			(3,504)
Effect on Income Statement			
Net exceptional income / charges	(1,657)	1,847	(3,504)
Decrease in result for the year			(3,504)
Effect on Earnings per share			
Basic and diluted earnings per share	7.89	(2.85)	(10.74)

There was no cash flow impact as a result of the restatements other than the consequential adjustments arising as a result of the restatement of the comparative Statement of Consolidated Financial Position.

Prime Focus London plc Annual report 2011

Independent Auditors' report to the members of Prime Focus London plc

We have audited the parent company financial statements of Prime Focus London plc for the year ended 31 March 2011 which comprise the Parent Company Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the directors and auditors

As explained more fully in the Directors' Responsibilities Statement (set out on page 15), the Directors are responsible for the preparation of the Parent Company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the Parent Company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the Parent Company financial statements:

- give a true and fair view of the state of the Parent Company's affairs as at 31 March 2011; and
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Prime Focus London plc
Annual report 2011**

**Independent Auditors' report to the shareholders of Prime Focus London plc -
continued**

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Benjamin Bidnell (Senior Statutory Auditor)

For and on behalf of

Shipleys LLP

Chartered Accountants & Statutory Auditor

10 Orange Street
Haymarket
London
WC2H 7DQ
28 September 2011

Prime Focus London plc
Annual report 2011

Company Balance Sheet at 31 March 2011

	Notes	2011 £000	Restated 2010 £000
Fixed assets			
Intangible assets	3	-	-
Tangible assets	4	5,022	5,050
Investments	5	791	771
		5,813	5,821
Current assets			
Stock	6	-	30
Debtors	7	15,062	21,169
Cash at bank and in hand		1,014	1,069
		16,076	22,268
Creditors – amounts falling due within one year	9	(10,085)	(19,186)
Net current assets		5,991	3,082
Total assets less current liabilities			
		11,804	8,903
Creditors – amounts falling due after more than one year	10	(2,065)	(3,404)
Net assets		9,739	5,499
Capital and reserves			
Share capital	12	1,632	1,632
Share premium account	13	6,498	6,498
Capital redemption reserve	13	270	270
Fair value reserve	13	-	-
Special reserve	13	-	-
Merger reserve	13	730	730
Retained earnings	13	609	(3,631)
Total equity shareholders' funds		9,739	5,499

The financial statements were approved by the Board of Directors and authorised for issue on 28 September 2011.

Namit Malhotra
 Director

Company Number: 1694613

Prime Focus London plc

Annual report 2011

Notes to the Company financial statements

1. Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with UK Generally Accepted Accounting Principles.

The policies adopted are consistent with those applied in the preparation of the audited accounts for the 12 months ended 31 March 2010, except where noted below.

The following principal accounting policies have been applied:

Turnover

Turnover represents the fair value of services provided during the year to other companies within the Group.

Leasehold improvements, equipment, motor vehicles, fixtures and fitting

Leasehold property, equipment, motor vehicles, fixtures and fittings are stated at cost less accumulated depreciation and any provision for impairment. Cost comprises all costs that are directly attributable to bringing the asset into working condition for its intended use. Depreciation is calculated to write down the cost of fixed assets to their residual values on a reducing balance basis over the following estimated useful economic lives:

Equipment	13.91%
Fixtures and fittings	18.10%
Motor vehicles	25.89%

Leasehold improvements are depreciated on a straight line basis over the unexpired period of the lease.

Hire purchase and leased assets

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their expected useful lives at the rates set out above. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease.

All other leases are operating leases which have annual rentals charged to the profit and loss on a straight line over the lease term.

Valuation of investments

Investments held as fixed assets are stated at cost less any provision for impairment.

Deferred taxation

Deferred taxation balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that the recognition of deferred tax assets is limited to the extent that the Company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Leased assets

Where assets are financed by leasing agreements that give rights approximating to ownership ('finance leases'), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the profit and loss account.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

All other leases are treated as operating leases. Their annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

Prime Focus London plc

Annual report 2011

Foreign exchange

The individual financial statements of the Company are presented in the currency of the primary economic environment in which it operates (its functional currency).

Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The fair value of share option awards are estimated at the date of award, using a Black-Scholes model, taking into account the terms and conditions of the award.

No expense is recognised for grants that do not vest and charges previously made are reversed except where vesting is conditional upon a market condition which are treated as vesting irrespective of whether or not the market condition is satisfied, provided all other performance conditions are satisfied.

At each reporting date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions, the number of equity instruments that will ultimately vest or, in the case of an instrument subject to a market condition, be treated as vesting as described above. The movement in cumulative expense since the previous balance sheet date is recognised in profit or loss, with a corresponding entry in equity.

Where the terms for an equity-settled award are modified, and the modification increases the total fair value of the share-based payment, or is otherwise beneficial to the employee at the date of modification, the incremental fair value is amortised over the vesting period.

Related party disclosures

The Company has taken advantage of the exemption conferred by Financial Reporting Standard 8 'Related Party disclosures' not to disclose transactions with members of the Group headed by Prime Focus London plc on the grounds that 100% of the voting rights are controlled within that Group.

2. Profit for the period

The Company has elected to take exemption under Section 408 of the Companies Act 2006 not to present the Company's profit and loss account. The profit for the Company for the year is presented in note 14.

3. Intangible assets

	£000
Cost	
At 1 April 2010	-
Arising from business combination	-
	<hr/>
At 31 March 2011	-
	<hr/>
Impairment	
At 1 April 2010	-
Impairment of goodwill	-
	<hr/>
At 31 March 2011	-
	<hr/>
Net Book Value	
At 31 March 2011	-
	<hr/>
At 31 March 2010	-
	<hr/>

Prime Focus London plc
Annual report 2011

4. Tangible assets

	Short leasehold premises £ 000	Motor Vehicles £000	Equipment, fixtures and fittings £000	Total £000
Cost				
At 1 April 2010	4,409	52	5,245	9,706
Additions	-	-	778	778
Disposals	-	-	(354)	(354)
At 31 March 2011	4,409	52	5,669	10,130
Accumulated depreciation				
At 1 April 2010 (Restated Note 16)	2,936	33	1,687	4,656
Charge for the year	227	5	574	806
Disposals	-	-	(354)	(354)
At 31 March 2010	3,163	38	1,907	5,108
Net Book Value				
At 31 March 2011	1,246	14	3,762	5,022
At 31 March 2010	1,473	19	2,226	5,050

The net book value of equipment, fixtures & fittings includes an amount of £1,406k (2010: £1,467k) in respect of assets held under hire purchase agreements. The charge for depreciation for the year on these assets was £223k (2010 £186k).

5. Investments

	Investment in subsidiary undertakings £000	Investment in associated undertaking £000	Other investments £000	Total £000
Cost				
At 1 April 2010	770	1	-	771
Addition	20	-	-	20
Cost	790	1	-	791
Provision				
Restatement of impairment	-	-	-	-
At 1 April 2010	-	-	-	-
Net Book Value				
At 31 March 2011	790	1	-	791
At 31 March 2010	770	1	-	771

For details of the restatement of comparative figures, please refer to note 16.

Prime Focus London plc
Annual report 2011

6. Inventories

	2011	2010
	£000	£000
Tapes and cassettes	-	30

7. Debtors

	2010	Restated
	£000	2010
		£000
Amounts falling due within one year:		
Trade debtors	1,359	7
Less: Provision for impairment	(6)	(6)
	1,353	1
Amounts owed from Parent Company	-	-
Amounts owed from associates	2,749	2,710
Amounts owed from group	10,933	18,152
Deferred tax (note 8)	-	58
Prepayments and accrued income	27	248
	15,062	21,169

8. Deferred tax

The movement for the year in the Company's net deferred tax asset/liability provided at the UK company rate of corporation tax of 28% (2010: 28%) was as follows:

	2011	Restated
	£000	2010
		£000
Opening balance	(58)	499
(Charge) credit to income for the year	(93)	(442)
Closing balance	35	(58)
The non-current asset / (provision) comprises of:		
Accelerated capital allowances	(319)	(668)
Unutilised losses	226	226
	(93)	(442)

Prime Focus London plc

Annual report 2011

9. Creditors – amounts falling due within one year

	2011 £000	Restated 2010 £000
Bank and other borrowings (note 11)	3,454	4,636
Trade creditors	1,006	1,003
Other payables	-	829
Amounts due to Parent Company	-	-
Amounts due to subsidiary undertakings	2,607	9,425
Accruals and deferred income	2,272	324
Social security and other taxes	746	2,969
	10,085	19,186

10. Creditors – amounts falling due after more than one year

	2011 £000	2010 £000
Bank / other loan (note 11)	2,030	2,131
Deferred taxation	35	-
Hire purchase obligation	-	1,273
	2,065	3,404

11. Borrowings

Analysis of debt maturity:	2011 £000	2010 £000
Repayable within one year		
Bank loan	2,396	415
Hire purchase obligations	1,058	687
Loan from Parent Company	-	3,534
	3,454	4,636
Repayable between one and two years		
Bank loan	1,404	2,131
Hire purchase obligations	313	637
Repayable between two and five years		
Bank loan	-	-
Hire purchase obligations	313	636
	2,030	3,404

Prime Focus London plc

Annual report 2011

12. Called Up Equity Share Capital

The Company has issued the following shares during the year:

	2011		2010	
	£000	Number (000s)	£000	Number (000s)
Authorised				
Ordinary shares of 5p each	2,500	50,000	2,500	50,000
Allotted				
Allotted, called up and fully paid				
Ordinary shares of 5p each At 1 April 2009	1,632	32,632	1,632	32,632
Issued during the year				
Issue of Shares	-	-	-	-
Ordinary shares of 5p each at 31 March 2011	1,632	32,632	1,632	32,632

13. Reserves

	Share capital £000	Share premium £000	Capital Redemption Reserve £000	Merger Reserve £000	Special Reserve £000	Retained earnings £000	Total Equity £000
At 1 April 2010 (as restated (note 16))	1,632	6,498	270	730	-	(3,631)	5,499
Profit for the year	-	-	-	-	-	4,240	4,240
Share-based payments	-	-	-	-	-	-	-
At 31 March 2011	1,632	6,498	270	730	-	609	9,739
At 1 April 2009	1,632	6,498	270	730	-	(2,093)	7,037
Profit for the year (as restated (note 16))	-	-	-	-	-	1,924	1,924
Rectification of errors	-	-	-	-	-	(3,462)	(3,462)
Write back of liabilities	-	-	-	-	-	-	-
Shares issued	-	-	-	-	-	-	-
Release of special reserve	-	-	-	-	-	-	-
At 31 March 2010 (as restated (note 16))	1,632	6,498	270	730	-	(3,631)	5,499

14. Operating Lease and Capital commitments

At 31 March 2011 the company had annual commitments under non-cancellable operating leases for land and buildings expiring as follows:

	2011 £000	2010 £000
Within one year	1,054	-
Later than one year and less than five years	4,020	155
After five years	1,765	899
	6,839	1,054

Prime Focus London plc

Annual report 2011

15. Related party transactions

For details of related party transactions entered into by the Company, please refer to the consolidated Group financial statements.

16. Prior year restatements

Rectification of Errors

Effect on the financial statements

The effect of restatements is summarised below:

	As previously stated 31 March 2010 £'000	As restated 31 March 2010 £'000	Restatement 31 March 2010 £'000
Effect on Balance Sheet			
Tangible Assets	3,708	5,050	1,342
Current Liabilities	16,384	16,166	218
Deferred tax correction	(304)	58	362
Net effect on equity			1,924
Effect on Profit and Loss			
Increase in result for the year			1,924

Write back off liabilities of companies under administration.

Effect on the financial statements

The effect of above restatements is summarised below:

	As previously stated 31 March 2010 £'000	As restated 31 March 2010 £'000	Restatement 31 March 2010 £'000
Effect on Statement of Financial Position			
Current liabilities	16,166	19,628	3,462
Retained earnings		(3,631)	(3,462)
Net effect on equity			(3,462)
Effect on Income Statement			
Net exceptional income / charges	(169)	(3,631)	(3,462)
Decrease in result for the year			(3,462)

Prime Focus London plc

Annual report 2011

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Prime Focus London PLC (the "Company") will be held at 37 Dean Street, London W1D 4PT on 1 November 2011 at 11.30am for the transaction of the following business:

Ordinary Business

1. To receive and adopt the Director's Report, the Report of the Remuneration Committee and the Audited Accounts for the year ended 31 March 2011, together with the auditors' report on the Audited Accounts and on the auditable part of the Report of the Remuneration Committee.
2. To re-elect Marie Louise Windeler as a Director of the Company in accordance with Articles 82 to 84 of the Company's Articles of Association.
3. To re-elect Riv Karan Chadha as a Director of the Company in accordance with Articles 82 to 84 of the Company's Articles of Association.
4. To re-appoint Shipleys LLP, Chartered Accountants and Registered Auditors as the Company's auditors to hold office from the conclusion of this meeting until the conclusion of the next meeting at which accounts are laid before the Company.
5. To authorise the Directors to fix the remuneration of the auditors.

Special Business

To consider and, if thought fit, to pass the following Resolutions:

Ordinary Resolutions

6. That the Directors be and they are hereby generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot, grant options over, offer or otherwise deal with or dispose of equity securities (as defined in Section 560 of the Act) of the Company provided that this authority shall:
 - (a) be limited to:
 - (i) the allotment of up to 2,500,000 ordinary shares of 5 pence each in the capital of the Company pursuant to the Company's Share Option Plan 2009; and
 - (ii) the allotment (other than pursuant to paragraph (i) above) of relevant securities of the Company up to an aggregate nominal value of £163,782.65;
 - (b) unless previously revoked or varied by the Company, expire on the date of the next Annual General Meeting of the Company, but so that the Company may any time before the authority shall expire make an offer or agreement which would or might require relevant securities to be allotted after the expiry of such period and the Directors may allot relevant securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired.

This authority is in substitution for all previous authorities conferred upon the directors pursuant to Section 80 of the Companies Act 1985 or Section 551 of the Act, but without prejudice to the allotment of any relevant securities already made or to be made pursuant to such authorities.

Prime Focus London plc
Annual report 2011

Special Resolution

7. That, subject to and conditional upon the passing of Resolution 6 above, in accordance with section 570 of the Act and in substitution for all previous authorities conferred on the Directors pursuant to Section 571 of the Act, the Directors be and they are empowered, pursuant to Section 571 of the Act and in accordance with the Articles of Association of the Company, to allot equity securities (as defined in Section 560 of the Act) for cash pursuant to the authority conferred by Resolution 6 above as if Section 561(1) of the Act did not apply to any such allotment provided that this power shall be limited to:
- (a) the allotment of up to 2,500,000 ordinary shares of 5 pence each in the capital of the Company pursuant to the Company's Share Option Plan 2009; and
 - (b) the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities up to an aggregate nominal amount of £163,782.65.

and shall expire at the conclusion of the next Annual General Meeting of the Company except that the Company may, before the expiry of such period, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred by this Resolution had not expired.

By Order of the Board

64 Dean Street
London W1D 4QQ
28 September 2011

J Muir
for Derringtons Limited
Secretary

Prime Focus London plc Annual report 2011

NOTES

1. Marie Louise Windeler and Riv Karan Chadha retire by rotation and offer themselves for re-election pursuant to Articles 82 to 84 of the Company's Articles of Association.
2. The Ordinary Resolution numbered 5 will be proposed to seek the members' approval to the re-appointment of Shipleys LLP as the auditors of the Company until the conclusion of the next meeting at which accounts are laid before the Company.
3. The Ordinary Resolution numbered 6 will be proposed to renew the authority of the Directors in relation to the allotment of unissued and uncommitted shares in the capital of the Company. Other than the allotment of up to 2,500,000 ordinary shares pursuant to the Company's Share Option Plan 2009, the authority is limited to 3,275,653 ordinary shares in the Company (with a nominal value of £163,782.65) being 10% of the total issued or otherwise committed share capital of the Company as at the date of this notice. The authority will expire upon the date of the next Annual General Meeting of the Company. The Directors have no present intention to exercise the authority proposed in the Resolution.
4. The Directors may only allot shares for cash to persons who are not already shareholders in the Company if authorised to do so by the shareholders in general meeting. The Special Resolution numbered 7 seeks authority for the Directors to allot shares for cash without first offering them to existing members up to 2,500,000 ordinary shares pursuant to the Company's Share Option Plan 2009 and additionally up to an aggregate nominal amount of £163,782.65. This sum represents 3,275,653 ordinary shares of 5p each, being equivalent to approximately 10% of the current issued share capital. The Resolution enables the Directors to modify the strict requirement for a rights issue in circumstances where they consider it necessary or expedient. The authority will expire upon the date of the next Annual General Meeting of the Company.
5. In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, only those members entered on the Company's register of members not later than 11.30am on 29 October 2011 or, if the meeting is adjourned, shareholders entered on the Company's register of members not later than 48 hours before the time fixed for the adjourned meeting, shall be entitled to attend and vote at the meeting.
6. If you are a member of the Company at the time set out in note 5 above, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the Meeting and you should have received a proxy form with this notice of meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.
7. A proxy does not need to be a member of the Company but must attend the Meeting to represent you. Details of how to appoint the Chairman of the Meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form. If you wish your proxy to speak on your behalf at the Meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.
8. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to a different share or shares. You may not appoint more than one proxy to exercise rights attached to any one share. Failure to specify the number of shares to which the proxy appointment relates or specifying more shares than you hold on the record date will result in the proxy appointment being invalid. To appoint more than one proxy please contact the Company Secretary at the Company's registered office at 64 Dean Street, London, W1D 4QQ for details.
9. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Meeting.
10. The notes to the proxy form explain how to direct your proxy how to vote on each resolution or withhold their vote.

Prime Focus London plc Annual report 2011

11. To appoint a proxy using the proxy form, the form must be:
- completed and signed;
 - sent or delivered to the Company Secretary at the Company's registered offices at 64 Dean Street, London, W1D 4QQ; and
 - received not later than 48 hours before the time fixed for the Meeting at which the proxy is to vote.

In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by a duly authorised officer of the company or an agent lawfully authorised in writing.

Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.

12. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).
13. To change your proxy instructions please contact the Company Secretary at 64 Dean Street, London, W1D 4QQ to request another proxy form and then repeat the steps set out in Note 11 above. Note that the cut-off time for receipt of proxy appointments (see above) also applies in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.

If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

14. In order to revoke a proxy instruction you will need to inform the Company by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to the Company Secretary at the Company's registered offices at 64 Dean Street, London, W1D 4QQ for details. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an agent lawfully authorised in writing. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.

The revocation notice must be received by the Company Secretary at the Company's registered offices at 64 Dean Street, London, W1D 4QQ no later than 48 hours before the time fixed for the Meeting at which the proxy is to vote.

Appointment of a proxy does not preclude you from attending the Meeting and voting in person. If you have appointed a proxy and attend the Meeting in person, your proxy appointment will automatically be terminated.

15. If you are a corporate shareholder, you are entitled to authorise one or more corporate representatives to exercise, on your behalf, all your powers as a shareholder provided that no more than one corporate representative exercises powers over the same share. If you authorise more than one representative, on a show of hands, each representative has the same voting rights as you would have, so that each representative will have one vote. On a poll, if you appoint more than one representative, each representative can exercise the votes attaching to the relevant shares in different ways, provided each representative is exercising the power in respect of different shares. However, if more than one representative purports to exercise the corporate shareholder's powers in respect of the *same* shares, if they purport to exercise the power in the same way it will be treated as exercised, but if they purport to exercise the power in different ways, it will be treated as not exercised and the votes of the relevant representatives will not be counted.